



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0152	Title:	Inflationary increases for K-12 BASE aid and general fund components
Primary Sponsor:	Branae, Gary	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$40,090,126	\$56,263,455	\$162,357,878	\$162,154,657
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$40,090,126)</u>	<u>(\$56,263,455)</u>	<u>(\$162,357,878)</u>	<u>(\$162,154,657)</u>

Description of fiscal Impact: HB 152 increases state support for school district general fund budgets by \$96.3 million in the 2009 biennium.

FISCAL ANALYSIS

Assumptions:

1. Under current law, the average number belonging in K-12 public schools will be as follows:

ANB	FY07	FY08	FY09	FY10	FY11
K-6 ANB	72,763	72,001	71,899	72,530	73,704
7-8 ANB	24,643	23,745	22,980	22,199	21,821
9-12 ANB	<u>49,613</u>	<u>49,187</u>	<u>48,613</u>	<u>47,910</u>	<u>46,798</u>
	147,019	144,933	143,492	142,639	142,323

2. The current statute basic and per-ANB entitlements do not include an inflationary adjustment. Present law basic and per-ANB entitlements will be:

	FY2007	FY2008	FY2009	FY2010	FY2011
Basic entitlement EL	\$20,718	\$20,718	\$20,718	\$20,718	\$20,718
Basic entitlement HS	\$230,199	\$230,199	\$230,199	\$230,199	\$230,199
Per-ANB entitlement EL	\$4,456	\$4,456	\$4,456	\$4,456	\$4,456
Per-ANB entitlement HS	\$5,704	\$5,704	\$5,704	\$5,704	\$5,704
DSA Percentage	44.7%	44.7%	44.7%	44.7%	44.7%

3. The current statute does not include inflationary increases for the general fund for the quality educator payment, the Indian Education for All payment, the at-risk payment or the American Indian Achievement Gap payment in 20-9-327 through 20-9-329, MCA. The payments will total \$35.9 million in each year of the 2009 biennium.
4. The state special education appropriation will be \$39.348 million in each year of the 2009 biennium.
5. Consistent with legislative revenue estimates, the statewide taxable valuations will increase by 3.18 percent in FY 2008 and 3.22 percent in FY2009 and beyond.
6. HB 152 increases the basic and per-ANB entitlements by the statutory inflationary factors of 2.76% in FY 2008 and 3.0% in FY 2009 to the following amounts:

	FY2007	FY2008	FY2009	FY2010	FY2011
Basic entitlement EL	\$20,718	\$21,290	\$21,929	\$21,929	\$21,929
Basic entitlement HS	\$230,199	\$236,552	\$243,649	\$243,649	\$243,649
Per-ANB entitlement EL	\$4,456	\$4,579	\$4,716	\$4,716	\$4,716
Per-ANB entitlement HS	\$5,704	\$5,861	\$6,037	\$6,037	\$6,037
DSA Percentage	44.70%	44.70%	44.70%	44.70%	44.70%

7. HB 152 increases the general fund components of the quality educator payment, the Indian Education for All payment, and the American Indian Achievement Gap payment in 20-9-327 through 20-9-330 as follows:

	FY2007	FY2008	FY2009	FY2010	FY2011
Quality Educator Payment	\$2,000	\$4,000	\$4,120	\$4,120	\$4,120
Indian Education for All Payment	\$20.40	\$25.00	\$26.00	\$26.00	\$26.00
American Indian Achievement Gap Payment	\$200	\$203	\$209	\$209	\$209

8. The increased retirement expense is estimated by determining the amount of increase in the BASE budget, multiplying times the percentage of the general fund budget that is typically salaries (75% salaries) to get the increased salaries associated with HB 152.
9. Estimated benefit rate is 15% based upon FY 2006 employer contribution rates:

	Certified Staff	Classified Staff
TRS	7.47%	
PERS		6.90%
FICA	6.20%	6.20%
Medicare	1.45%	1.45%
Unemployment	0.02%	0.02%
Totals	15.14%	14.57%

10. Based on budget data from FY 2006, on the marginal, the state pays retirement guaranteed tax base aid (GTB) of approximately 28% of countywide retirement tax levy.

11. Estimated cost to the state and county for the increases in the per educator entitlement, the Indian Education for All payment, and the American Indian achievement gap payment:

Fiscal Year	Estimated Additional Salaries	Estimated Benefit Rate	Retirement Cost	State Share	County Share
2008	\$19,073,549	15%	\$2,861,032	\$801,089	\$2,059,943
2009	\$20,361,559	15%	\$3,054,234	\$855,185	\$2,199,048
2010	\$20,357,579	15%	\$3,053,637	\$855,018	\$2,198,618
2011	\$20,355,853	15%	\$3,053,378	\$854,946	\$2,198,432

12. It is estimated that retirement GTB costs will increase by \$801,089 in FY 2008 and by \$855,185 in FY 2009 due to the increases in the per educator entitlement, the Indian Education for All payment, and the American Indian achievement gap payment.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assistance (Direct State Aid)	\$9,770,581	\$20,469,227	\$20,308,957	\$20,208,086
Local Assistance (Guaranteed Tax Base Aid)	\$3,618,171	\$6,698,577	\$112,552,382	\$111,694,412
Local Assistance (Per Educator)	\$24,715,598	\$26,198,534	\$26,198,534	\$26,198,534
Local Assistance (Indian Ed for All)	\$666,790	\$803,710	\$798,933	\$797,164
Local Assistance (AI Achievement)	\$49,011	\$146,502	\$145,971	\$145,440
Local Assistance (Retirement GTB)	\$1,269,974	\$1,946,905	\$2,353,101	\$3,111,021
TOTAL Expenditures	\$40,090,125	\$56,263,455	\$162,357,878	\$162,154,657
<u>Funding of Expenditures:</u>				
General Fund (01)	\$40,090,125	\$56,263,455	\$162,357,878	\$162,154,657
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$40,090,125)	(\$56,263,455)	(\$162,357,878)	(\$162,154,657)

Effect on County or Other Local Revenues or Expenditures:

1. The increases in the quality educator payment, American Indian achievement gap payment, and the Indian Education for All payment are fully funded by the state. The increase in these payments will not increase local property taxes.
2. The increases to the basic and per-ANB entitlements will increase local property taxes by \$3.879 million in FY 2008 and \$9.017 million in FY 2009.
3. The title of HB 152 is "Inflationary increases for K-12 BASE aid and general fund components". The general fund components are increased by more than the statutory 2.76% in FY 2008 and 3.0% in FY 2009.

Sponsor's Initials

Date

Budget Director's Initials

Date